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THE NATIONAL *Voter*

LEAGUE OF WOMEN VOTERS OF THE U. S.

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THEY ARE LOOKING FOR A DOOR

There is growing evidence of concern over what Mr. Nehru has described as the "explosive ferment" occurring in the newly-developing nations of the world. The technological revolution at this point is increasing rather than decreasing the gap between the living standards of these nations and the industrialized nations.

More and more, the industrialized nations are moving in the direction of shorter work weeks, longer life spans, increasing abundance, and greater wealth.

Meanwhile, as expressed by Barbara Ward, "from Patagonia to Cape Comorin, in the highlands of East Africa or the paddy fields of lower Burma, in teeming slums and rural shanties, nearly half of humanity lives with the problem not of how to grow wealthier but of how to stave off deepening distress. . . . In many underdeveloped lands, medicine has arrived before modernization. The death rate falls before the economy expands. New mouths consume extra production before it can be set aside for new investment. During India's first Five-Year Plan, at least half the added production vanished down new little Indian throats."

Believing as she does that this is "as much a fact about the contemporary world as the Sputniks' orbits or supersonic speed," Miss Ward feels that these countries have no choice but to "attempt the flight through the sound barrier . . . through which nations must pass if they are to modernize."

Faced with the political, economic, and social implications of this situa-

tion, many groups in this country, public and private, are taking a new look at the economic needs as well as the long-range potential for growth of the less-developed nations.

What are the motivations underlying the thinking of these groups? Willard Johnson, the new president of the Committee for International Economic Growth, put it this way: "Is our motive only that of the dollar-ruble war with Russia? Is it to provide essential materials and markets for our own economy? Or is it to help people who are poverty-stricken while we are prosperous?"

The "new look" seems to reflect a combination of all these things.

Certainly concern is being expressed about the Soviet bloc's economic penetration of the developing countries. Also, more stress is being placed on the fact that the United States is increasingly dependent on other parts of the world.

Furthermore, much is being said to the effect that our traditions obligate us to help the developing nations meet their rising expectations. And, finally, more emphasis is being placed on the increasing gap between the living standards of the more-developed and the less-developed countries, and the implications which this holds for us.

Trends and Proposals

Some new initiatives to step up the economic growth of these nations are already underway; others are still in the proposal stage. Some proposals for development are designed to expand the capital and technical assistance of existing U.S. and interna-

tional agencies; others, to create new agencies or programs.

(Suggestions are also being made for expanding and stabilizing trade with these countries and these will be discussed in an article in a later issue of *THE NATIONAL VOTER*.)

What trends of thinking are apparent in these new proposals? For one, most of the new proposals stress development funds operated on a loan basis, as distinguished from grants under the foreign aid programs. In response to the problems of repayment in hard currency, the need for long-term, low-interest loans repayable in soft currency is stressed. This trend, in turn, recognizes that attention needs to be given to the problems of what to do with repayments in local currencies, since most uses of such funds in the home countries would be inflationary.

Another trend seems to point to the separation of military and economic aid. Again, this has stimulated thinking about the difficulties of deciding when a road, bridge, harbor, or airport is military or economic.

Still another apparent trend is the effort being made to find ways of encouraging private investment. At the same time, there seems to be a growing acceptance of the fact that government supports are needed, such as tax incentives, credit insurance, convertibility guarantees. Further stress is being placed on the need for public funds, initially to create conditions attractive to private investment, but also to develop basic resources such as roads, bridges, transportation, communications, and

schools.

Another trend evident is the recognition that capital and technical assistance needs to be supplemented by the development of management. This, however, is seen as a slow process, probably taking a generation or two in a given country. Still another trend is the growing recognition that we should avoid making the uncommitted countries choose our side in the cold war in order to obtain grants or loans. And finally, there is growing emphasis on multilateral programs, whether under the U.N. or through regional auspices.

Expand Existing Agencies

Some of the existing economic institutions through which the United States has been making capital, credit, and skills available to the developing countries have already received an increase in resources this year or are scheduled for early expansion of their programs next year. These agencies—both U.S. and international—include the International Bank for Reconstruction and Development (World Bank), the International Monetary Fund, the Export-Import Bank, and the Development Loan Fund. In addition, the U.N. Special Fund and an international administrative service have been created as supplements to the U.N. Technical Assistance Program.

World Bank. A dramatic step to meet the growing demand for development loans took place in New Delhi, India, at the meeting of the International Bank for Reconstruction and Development (World Bank) October 6 to 10. Governors of the World Bank formally accepted a resolution, introduced by the United States, to expand the lending power of the bank by increasing its subscribed capital. The details and the amount of the increase were left to the Bank's Executive Board to be worked out. Each member government will then have to ratify the proposed expansion. The U.S. government has been reported to favor a 50 to 100 percent capital increase.

A Specialized Agency of the United Nations, the World Bank lends money to member governments, governmental agencies, and private enterprise (if guaranteed by the member government) to assist in economic development in order to raise standards of living. Loans

are made and are repayable in hard currencies. Interest rates reflect current market rates, which at present range from 5 to 6 percent.

Although the funds that the Bank lends are raised by selling bonds, the Bank needs subscribed capital as a guarantee for the bondholders against possible default by the borrowers. The present subscribed capital totals about \$9.4 billion.

In fiscal 1958, World Bank loans were made for projects in 18 countries. New loans (34) amounted to \$711 million, compared with 20 loans totaling \$388 million in the previous year.

One of the largest loans (\$66 million) was to finance the first stage of the Yanhee Dam in Thailand. It will add 140,000 kilowatts to generating capacity serving the Bangkok area and help to improve irrigation on 2.25 million acres of farm land.

Nearly half of the loans went toward improving and expanding transportation, including railways, highways, and two (Indian) ports. Electric power loans, which for several years have been first, this year totaled less than those for transport. Other loans were designed to spur and expand agricultural and industrial production.

International Monetary Fund. Governors of another U.N. Specialized Agency, the International Monetary Fund, also meeting October 6 to 10 in New Delhi, formally approved the U.S. proposal for an unspecified increase in the national quotas—that is, contributions and drawing rights—of the 68 member countries. Details of the proposal and size of the increase in quotas are to be worked out by the Executive Directors of the Fund.

Although the Fund is not concerned with financing development

projects, it plays an important role by helping to stabilize currencies. Its purpose is to insure member countries against sudden drains on their foreign exchange. To do this, the Fund grants short-term loans to tide them over periods of temporary shortages. In the last two fiscal years, drawings on the Fund, whose present resources aggregate \$9.09 billion, have amounted to \$1.8 billion. In addition to financial assistance, the Fund has undertaken to help its members deal with the difficult financial problems of internal inflation and exchange management. Increased resources, it is believed, will be needed to help sustain world production and trade and to give encouragement to the efforts which member countries are making to maintain or achieve convertibility.

Export-Import Bank. The Export-Import Bank, a U.S. bank, had its lending authority increased from \$5 million to \$7 million by Congress in 1958. The Bank, through loans at interest rates between 5 and 6 percent, finances the overseas sale of U.S.-produced products such as capital goods, transportation equipment, and some agricultural commodities, particularly cotton. These items can be—and usually are—used to promote economic growth in the developing countries.

Development Loan Fund. Another economic development agency, the newly incorporated Development Loan Fund (established by Congress in 1956; given corporate status in 1958) is also slated for an expansion of its operation. The DLF makes loans under less strict criteria than conventional banking institutions, to both governments and private enterprise groups in the developing countries, for projects that contribute to basic economic growth. Interest rates are 3.5 percent on loans to governments for such public projects as harbor development, roads, railroads, and communications, and 5.5 to 5.75 percent on loans to private industry. The Fund can make some "soft loans"—that is, long-maturity loans partly or wholly repayable in local currency.

Nearly \$600 million in long-term, low-interest loans to 22 nations has already been committed. Applications from 45 countries currently under consideration by the Fund total \$1.6 billion.

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"Carrie Chapman Catt—The Power of an Idea" is the title of a pamphlet just off the press to mark the Carrie Chapman Catt Centennial, January 9. Written by Helen Hill Miller, published by the Carrie Chapman Catt Memorial Fund, it sells for 25¢ per copy. Order from the Carrie Chapman Catt Memorial Fund, 5th floor, 1026 Seventeenth Street, N.W., Washington 6, D. C.

The Administration has said that early in the next session of Congress it will ask for a deficiency appropriation for the Development Loan Fund. Later, Congress may be asked to authorize sufficient capital to place the Fund on a longer-term basis, with a capacity for making loans at an annual rate of approximately \$1 billion.

Supplements to UNTA

The U.N. Technical Assistance Program has been supplemented recently by two new programs—an international administrative service and the U.N. Special Fund.

An international administrative

service will be available on a trial basis in 1959 and will supplement the Technical Assistance Program by making available to governments, at their request, temporary administrative personnel—for example, a mines inspector, an airport operator, or a statistician. Proposed by the Secretary General in response to the expressed need of new countries, the governments would pay the same salaries that they pay their own nationals, and the United Nations would provide the difference.

U.N. Special Fund was created on October 14 through U.N. General Assembly vote of 77 to 0. The status

and nature of this new fund was a compromise between the U.S. proposal for setting up a Special Projects Fund within the existing U.N. Technical Assistance Program and the push made by the less-developed countries for a Special U.N. Fund for Economic Development (SUNFED), a more ambitious capital investment plan. Though the Special Fund will be separate, its work will be linked with the work of the World Bank on the one hand and with the U.N. Technical Assistance Program on the other.

The Special Fund will finance sur-
(Continued on page 4)



FROM THE

PRESIDENT'S DESK

I recently returned to Illinois after a strenuous but thrilling two weeks in Washington which I would like to tell you about. This was a national Board meeting. Our job was to plan a long way ahead, for we shall not be together again until late next April.

Board members gathered from all over the United States—from California to Massachusetts, Louisiana to Minnesota—and that in itself gave a picture of widespread activity. Most Board members had also done some traveling for the League this fall—making speeches, visiting state and local Leagues, participating in League and non-League conferences. Reports came to us of hundreds of thousands of Voters Service materials distributed, of local and state campaigns on ballot issues. Some League-supported measures won, some lost. We said the outcome mattered less than that in the process we had learned some valuable lessons in the art of politics and of the give-and-take in a democracy, had experienced the excitement of a campaign, but most of all had learned lessons in the “what and how” of a next campaign.

All of these things that the Leagues do year in and year out and have done this past year, particularly our activities in local government, have earned for us the award given annually by the LaGuardia Memorial Association in recognition of outstanding service in the area of municipal affairs. The 1958 award was

given to the League of Women Voters of the United States “in recognition of its continued, penetrating and persistent efforts, and in appreciation of its many worthy achievements in the interest of vigorous, enlightened local government throughout the United States.” On December 13 I went to New York to receive the LaGuardia Award in your name.

You may be asking yourself, as we did in the November Board meeting, how far have we come in understanding some of the basic issues in our two national Program items, and what is the timing ahead for them? Reports that we have had from Leagues, plus discussion at the Denver and Cleveland conferences, lead us to believe that in the water resources field it is not beyond expectation that by Council meeting in April many Leagues will be ready to advise their state Boards on areas of agreement. We agreed that by that time, hopefully, local Leagues, with a great variety of water problems, will have begun to see the directions in which national water policies and practices should move. This we need for progress toward 1960. To help you in your thinking we are planning to devote the entire January issue of **THE NATIONAL VOTER** to a comprehensive discussion of water.

We spoke again of the League's wise decision last April to undertake an over-all review of U.S. foreign policy and of how this Current Agenda item promises to be one of

the most timely we have ever had. The crises and confusion in the international field have caused more and more citizens to urge a fresh look at U.S. foreign policy to see if it is in tune with our changing world and if it is headed in the right direction. One of the complicating factors in effective citizen action is that the better informed a person becomes, and the more he realizes the great complexities in foreign policy, the more he may hesitate to reach conclusions about supporting or opposing specific policies. This applies to League members as to other citizens. However, the League has made intensive and thoughtful study of foreign policy for many years and, through discussions of League members with family and friends, each of us can do something toward building public understanding of the issues. “New Perspectives” is the tool, and given half a chance it simply sells itself. We will soon be in the second printing and praise for it continues to pour in from many sources. I hope you have read it, for it will help you in making the decisions your local League must eventually reach on whether we want to change or expand current League positions and what new areas we should explore.

This, in brief, is what your Board saw for the months ahead. But far beyond all that, we saw thousands of women all over the United States working and learning together because they believe that no matter how small a part they play in helping to form our country's policies, it is an all-important one.

Mark S. Phillips

veys of basic resources, statistical services, agricultural experiment stations, and the creation of "institutions" needed before capital development projects, such as roads, irrigation works, and river basin projects, can be planned or built. The Fund will concentrate on relatively large projects along these lines—ones which will lead to early results.

The Fund's expected resources for 1959, about \$26 million, will almost double the resources available now for technical assistance. It will be controlled by an 18-member governing Council elected by the U.N. Economic and Social Council. It will begin operations in 1959 with Paul Hoffman as its head.

Creation of New Institutions

International Development Association. The United States has offered to consider participation in a proposed new International Development Association. It would function as a kind of second-mortgage bank in connection with the World Bank. Senator Monroney (D., Okla.) proposed this idea for a new international lending institution and in July 1958 the Senate adopted a resolution urging careful consideration of the plan. The Association would make multilateral, long-term, low interest, multi-currency loans. As conceived, the Association would make loans repayable in whole or in part, in local currencies. It would not be a substitute for any of the other existing institutions. Nor could its soft-currency loans be a substitute for hard-currency loans needed to pay for capital equipment which is available from a limited number of countries such as the United States, Western Europe, and Japan. Affiliated with the World Bank, its standard of administration would be high and, as an international counterpart of the U.S. Development Loan Fund, it could supplement the work of this Fund. The feasibility of the plan is currently under study by the member governments of the World Bank and specifically in the United States by the National Advisory Council on International Monetary and Financial Problems.

World Development Corporation. One more proposal for the establishment of a new international lending institution was introduced in the last session of Congress. Senators Javits (R., N.Y.), Cooper (R., Ky.),

Morton (R., Ky.), Murray (D., Mont.), and Proxmire (D., Wis.) proposed establishing a World Development Corporation. The purpose of the Corporation would be to raise and channel funds from small investors in the United States and other countries into economic development projects and private enterprise, especially in the developing countries.

Regional Economic Development

The United States has offered to cooperate with regional economic development groups which it hopes will be created through local initiatives in the Middle East and in Latin America. Agreement has been reached on preliminary steps toward a development program having as one of its major objectives the creation of an Inter-American Bank. The United States is prepared to consider the establishment of such a bank, and a special commission of the Organization of American States is to complete draft articles of the agreement.

U.S. Policy, 1949-59

President Truman's Point Four proposal in 1949 was the starting point of U.S. policies to help the developing countries help themselves. The meaning of Point Four was colorfully described by the first U.S. Technical Cooperation Administrator in these words: "The people of the underdeveloped countries now have a window to the 20th century. . . . They are looking for a door and we are helping them to find one. . . ."

Starting with the Act for International Development in 1950, foreign economic development has been a part of U.S. foreign policy ever since. However, the priority which

has been given to the program has varied from time to time, with the total amount allocated never amounting to more than a very small part of our national budget.

In recent months there have been a number of indications that a more cohesive and stepped-up program is being launched. Secretary of State Dulles, in a speech to the U.N. General Assembly on September 18, urged U.N. members to dedicate the year 1959 to charting "a new long-term course of cooperative action for economic development" in the less-developed countries.

Also, in September, a majority of the Senate Foreign Relations Committee asked the President to place more emphasis on economic and technical assistance in the Mutual Security Program next year.

On November 10, President Eisenhower described at the Colombo Plan Conference in Seattle a five-part program for economic progress which he said he hoped would be carried out by the United States and other countries to 1) expand international trade; 2) provide technical assistance; 3) encourage private investment and initiative; 4) support bankable lending; and 5) furnish financing on flexible terms of repayment for other sound projects.

In late November, President Eisenhower appointed a committee headed by William H. Draper to review the military assistance program and to consider the impact of our military assistance programs on related economic programs.

Early in December a House Ways and Means Subcommittee held a series of hearings on U.S. foreign investments. Testimony included a look at both governmental and private operations in this field.

The test as to whether 1959 will be an economic development year for this country will largely depend on the kind of proposals embodied in the President's State of the Union and Budget Messages in January, on what kind of legislation is introduced in the new Congress, and, most important, on whether the long-range proposals are given the push needed to get through the labyrinth of our legislative process. Only then will we know whether the United States can indeed meet the urgent need to help the peoples of the developing countries to find the door to the 20th century!

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